

PRESENTATION TO TYSONS CORNER TASK FORCE: DEVELOPING AFFORDABLE WORKFORCE HOUSING AT TYSONS CORNER

presentation by:

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Replanning and Redevelopment at Tysons Corner:

Assumptions

For our presentation, we assume:

- Fairfax's **housing prices** continue to escalate
- Fewer **affordable units** will be available through market mechanisms
- **Density increases** will come to Tysons Corner
- Affordable, workforce housing linked to **economic development** will be an economic and political imperative in Fairfax County
- Direct local **government funding** will be insufficient to address the problem
- **Live/work** in Fairfax's main hub city is desirable
- **ADU** by itself is not sufficient

Replanning and Redevelopment at Tysons Corner:

Assumptions

ADU as the tool for moderately priced housing:

- Insufficient---small number of units each year
- High-rise excluded now
- Does not create revenue stream

Replanning and Redevelopment at Tysons Corner:

Assumptions

ADU in high-rise:

- We have **analyzed** it for Montgomery County MPDU program
- In **some market circumstances** it can work
- Probably **not** under a rigid set of rules
- Is a **“negotiable”** regulatory framework possible?

BEST CASE: **Not enough units**

Replanning and Redevelopment at Tysons Corner:

Opportunity: County will consider replanning and rezoning of 700+ acres of land in and around Tysons Corner

Posit:

- Workforce housing as a public policy goal should be reflected in plan
- Current landowners should not solely benefit from the plan changes

Replanning and Redevelopment at Tysons Corner:

What is **WORKFORCE HOUSING**?

- Targets employees earning 50-120% of area median income
- \$45,000-\$100,000 per year
- Public employees, young professionals, retail and service workers

It is not **SUBSIDIZED HOUSING**.

Replanning and Redevelopment at Tysons Corner:

About UniDev

UniDev helps public entities and nonprofits develop neighborhoods. This generates a stream of permanent revenues from the underutilized land resources and helps them accomplish program goals.

- Our Technique:
 - Strategic planning to develop shared goals
 - Organizational structure
 - Design and land use planning
 - Providing a financing structure
- Our Clients: Any public/nonprofit entity with land
- Our Team: We deliver a quality team to tackle key aspects of a project

Replanning and Redevelopment at Tysons Corner:

UniDev projects

- California State University-Channel Islands-Ventura County, CA
- California State University-Monterey Bay
- National City, CA (San Diego)—Senior Village
- St Francis Health System-Honolulu—Mixed Uses
- Hawaii Reserves, Inc-Oahu—Mixed Uses
- Waikoloa, Hawaii-Big Island
- New Mexico MFA-Statewide
- Jackson State University-Jackson, MS—Campus Facilities
- Marshall Heights CDO, DC
- GMU---just submitted conceptual plan

Replanning and Redevelopment at Tysons Corner:

Justification of County action:

- **Economic health** of County requires more workforce housing
- Consistent with resisting **sprawl**
- Consistent with state statutes relating to **redevelopment areas**
- Consistent with **traditional** dedication of land for public purposes--roads, schools, recreation
- Rational to tie it to **transit development**

Replanning and Redevelopment at Tysons Corner:

Proposal:

- Create an **overlay** that offers landowners increased density if they proffer land or development rights tied to workforce housing
- If density is increased from .3 FAR to 3.5, shouldn't 20% of increase be tied to **workforce housing**?
- Impact (more later)

10 acres-.3 to 3.5 FAR-20% to workforce housing=250 units of income-restricted housing

139,000 s.f. of buildings to 1.5 million s.f.=increase of 1,366,000 s.f. 20% = 273,000 s.f. of workforce housing---250 units

Replanning and Redevelopment at Tysons Corner:

Goal: Permit the County and the public to participate in the value increases

- Is program gain (new affordable units) enough? Or would economic gains for County also be needed?
- Can the County capture some of the value from its rezoning?

Replanning and Redevelopment at Tysons Corner:

Possible Financial Benefit to County:

- Standard UniDev model---the municipality or nonprofit owns the land, like GMU
- Workforce housing can generate a long-term revenue stream on “free” land
- County can accept land donation as a proffer
- County could lease land to a fee developer to develop and sell workforce housing
- County retains economic benefits (more later)

Alternate model for Tysons

- Proffer deed restrictions on land requiring workforce housing to be developed
- Landowner leases land to developer/condo unit owners
- Continuing benefits inure to **landowner**
- County enforces deed restrictions

Replanning and Redevelopment at Tysons Corner:

Underlying principle in Commonwealth:

No hardship to landowner

Fulfilled by:

- Tying it to replanning/rezoning, with land value windfalls
- Owner retains land
- Development can be profitable

How much is economic benefit from a project?

[Same whether to County or landowner]

Replanning and Redevelopment at Tysons Corner

Net Benefits From:

- Rental property annual cash flow (if any rental units)
- **Surplus** of development sources over uses (profit within price restrictions)—regulation required
- **Deferred ground rent** —capture portion of **gain on re-sale** of housing units
- **Re-sale transaction** fees
- Current ground lease payments---would waive these

Replanning and Redevelopment at Tysons Corner:

The model:

1. Tysons landowner **proffers acreage** or development rights for workforce housing
2. **Deed restrictions and ground lease** terms define landowner obligations
3. Sponsor leverages land to obtain predevelopment financing to pay for architects, engineers, planners, and other consultants; **no equity required**
4. Development plan and land are used to obtain **construction financing**--- construction loan repays predevelopment loan [UniDev has arranged]
5. Unit sales and rental stream (if any) repays or services construction and permanent debt
6. **Surpluses/profit** accrue to landowner
7. Workforce housing units **remain affordable indefinitely** through ground leases and deed restrictions; also generate **recurring revenue stream**.

Replanning and Redevelopment at Tysons Corner:

Economics of one project.

Assumptions:

- 250 mid-rise and high rise units [separate buildings]
- \$170/s.f. construction costs (?)
- \$2 million contribution for off-site improvements (?)
- One parking space per unit (part of proffer)
- Soft costs are 30% of hard costs
- Allocation of land value = 0
- 12% turnover of units/year
- CPI increases @ 3%

Replanning and Redevelopment at Tysons Corner:

Economics of project.

Results:

- Development surplus/profit--\$2 million (\$8,000/unit)
- Annual revenue stream—2012- \$400,000 (20% of gain on resale; 4% transaction fee)
2025- \$650,000
- Income levels of buyers—1 BR= \$57,000-\$67,000
2 BR= \$70,000-\$80,000

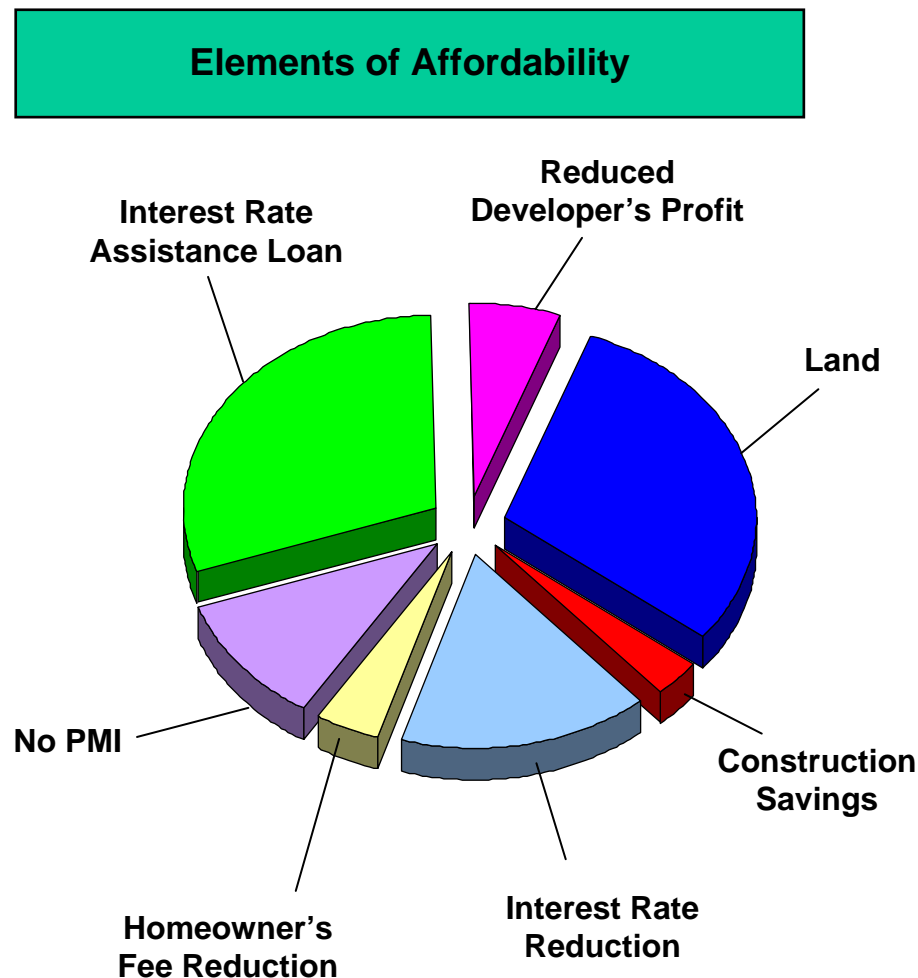
Replanning and Redevelopment at Tysons Corner:

Affordability matrix

Unit Affordability						
Type	Sq. Ft.	Number	Sales Price	Price/s.f.	Income Needed w/assistance	Income Needed w/out assistance
1 BR	850	125	\$291,517	\$343	\$57,891 (5.0:1)	\$66,982
2 BR	1050	125	\$339,204	\$323	\$70,088 (4.8:1)	\$79,179

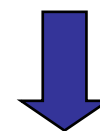
Replanning and Redevelopment at Tysons Corner:

How we reach moderate-income buyers?



Tools for Creating Affordability:

- Ground Lease
- Substitute for PMI
- Tax Exempt Construction Loan
- Reduced Developer's Profit
- Interest Rate Reduction
- Interest Rate Assistance Loan
- Homeowner Fee Reduction



Impact on Affordability:

Income required for a \$400,000 home:

Market rate unit = ~\$101,874

UniDev comparable unit = ~\$58,000

Replanning and Redevelopment at Tysons Corner:

Advantageous financing

Predevelopment

- No equity needed
- Citigroup and Fannie Mae; in several UniDev deals, including GMU

Construction

- No equity needed
- 100% of costs

Homebuyer loans

- No down payment
- Fannie buys loans on 80% terms
- No PMI
- Citibank offers buyer benefits
- Housing Assistance Fund for project provides “stretch” (\$3.2 million as a project cost)

Replanning and Redevelopment at Tysons Corner:

Legal Authority:

- Virginia State Code, Chapter 15.2-2296. “It is the purpose of Chapters 15.2-2296 through 15.2-2300 to provide a more flexible and adaptable zoning method to cope with situations found in such zones through conditional zoning, whereby a zoning reclassification may be allowed subject to certain conditions proffered by the zoning applicant for the protection of the community that are not generally applicable to land similarly zoned.”
- Chapter 15.2-2298(A) “this section shall apply to.... any locality which has had population growth of ten percent or more from the next-to-latest to latest decennial census year, based on population reported by the United States Bureau of the Census...”
- Ibid. “A zoning ordinance may include and provide for the voluntary proffering in writing, by the owner, of reasonable conditions...provided that (i) the rezoning itself gives rise to the need for the conditions; (ii) the conditions have a reasonable relation to the rezoning; and (iii) all conditions are in conformity with the comprehensive plan.”

What we do not do:

- Compromise on planning features
- Compromise on construction quality

Replanning and Redevelopment at Tysons Corner:

Examples----CSU/Channel Islands



Replanning and Redevelopment at Tysons Corner:

Examples----UC/Irvine (20 years)



Replanning and Redevelopment at Tysons Corner:

Conclusions:

- Fairfax County has an opportunity to **harness the rezoning** of Tysons Corner for programmatic and/or financial benefit
- County could utilize existing authority to take land donations or **development proffers** for workforce housing as part of rezoning process
- Clearly requires **political will** of elected officials
- **Workforce housing** can be developed profitably and without equity— **no burden to landowner**

Next Steps:

- Brief elected officials and key stakeholders
- Draft overlay ordinance or alternate mechanism
- Apply ADU to high-rise development
- Other?